

## SUPERVISORY AGREEMENT

OTS Docket No: 02612

This Supervisory Agreement ("Agreement") is made, as of this 11<sup>th</sup> day of February, 2002 (the "Effective Date"), by and between St. Edmond's Federal Savings Bank (the "Bank" and including the Bank's wholly owned subsidiary<sup>1</sup>), a federally-chartered savings bank headquartered in Philadelphia, Pennsylvania, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, acting through its Northeast Regional Director or his duly authorized designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Bank; and

WHEREAS, in connection with its supervision of the Bank, OTS has issued a Report of Examination (the "Report of Examination") concerning the examination of the Bank started on August 27, 2001; and

WHEREAS, based on the information in the Report of Examination, the OTS is of the opinion that the Bank has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Bank is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Bank; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will operate in a safe and sound manner and comply with all applicable laws and regulations; and

WHEREAS, the Bank, acting through its Board of Directors (Board), and without admitting or denying any violations of laws or regulations, has determined to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) operate in a safe and sound manner.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

1. Compliance with Federal Laws, Regulations and Other Regulatory Requirements. The Bank shall comply with the following federal laws and regulations:

- (a) 12 C.F.R. § 544.5 (concerning corporate governance and requiring member meetings);
- (b) 12 C.F.R. § 560.160 (requiring appropriate asset classification procedures);

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<sup>1</sup> The Bank's wholly owned subsidiary is SE Investment Services Corp.

- (c) 12 C.F.R. § 563.43 (imposing restrictions and certain prohibitions on loans to insiders);
- (d) 12 C.F.R. § 563.176 (requiring interest-rate-risk-management procedures);
- (e) 12 C.F.R. § 563.180 (requiring submission of periodic reports) and the OTS's written instructions for preparation, certification and submission of Thrift Financial Reports that are set out in the OTS's Thrift Financial Report Instruction Manual, including but not limited to the Officers' and Directors' Certification requirement at item 8.a. of the General Instructions thereof;
- (f) 12 C.F.R. § 563.200 (concerning conflicts of interest and the fiduciary duty of loyalty); and
- (g) 12 C.F.R. Part 564 (concerning appraisal standards and policies), including but not limited to section 564.8(c) (requiring annual review of approved appraisers), and as implemented by OTS Thrift Bulletin 55a (Interagency Appraisal and Evaluation Guidelines).

**2. Measures Designed to Control Risks Related to Investor Loans.**

(a) For purposes of this Agreement the term "Investor Loan" means any extension of credit: (i) that is secured by non-owner occupied residential real estate and/or (ii) in which the loan proceeds are used for the purpose of purchasing or financing the holding costs (including debt service) related to non-owner occupied residential real estate.

(b) The Bank shall not originate any Investor Loan except in accordance with loan policies, procedures and underwriting standards that have been: (i) approved by the Board and (ii) submitted to, and found unobjectionable by, the Regional Director in accordance with the procedures set forth in Paragraph 17 of the Agreement. In addition to the general requirements for loan policies and underwriting standards required by Paragraph 3 of the Agreement, any such policies and underwriting standards relating to Investor Loans shall be designed to correct the deficiencies cited in the Report of Examination, and shall provide for:

- (1) An analysis of actual cash flows generated by the related real estate and
- (2) A uniform work sheet that is designed to ensure that all investor loans are underwritten using the same methodology.

(c) Within 120 days of the Effective Date hereof, the Board shall:

- (1) ascertain the aggregate outstanding balance of all Investor Loans by requiring Bank management to compile a listing of each outstanding Investor Loan,
- (2) formulate an acceptable written action plan to control risks, including concentration risk, presented to the Bank by the Investor Loans (Investor Loan Risk Reduction Plan). At a minimum, the Investor Loan Action Plan shall set aggregate limits, expressed as a percentage of Core Capital, on the Bank's total exposure to Investor Loans and
- (3) submit the Investor Loan Risk Reduction Plan to the Regional Director as set forth in Paragraph 17 of the Agreement.

(d) Notwithstanding the restrictions imposed in subparagraph (b) hereof, the Bank may make advances necessary to honor legally binding commitments, existing on or before January 11, 2002, to fund Investor Loans ("Commitments"), provided that the Bank:

(1) prior to finalizing any Commitment, shall affirmatively determine that all conditions precedent to the Commitment or disbursement have been satisfied;

(2) will not violate any law or regulation applicable to it on account of the honoring of such Commitment; and

(3) within 10 calendar days of the date of this Agreement, shall provide the OTS's Regional Director with a list of all Commitments existing as of January 11, 2002. The list of Commitments must set forth: (A) the amount and type of Commitment, (B) the date the Commitment was issued, (C) the identity of the borrower/loan applicant, and (D) the schedule of anticipated funding.

3. Loan Policies and Underwriting Standards. Within 90 days of the Effective date, the Bank, by appropriate action of the Board, shall revise its Loan Policies and Underwriting Standards in a manner that comports with the requirements and prudential standards set forth in 12 C.F.R. § 560.101 (and the Appendix thereto entitled "Interagency Guidelines for Real Estate Lending Policies"), 12 CFR § 560.170 and 12 CFR Part 570 (Appendix A, Part II.D). Such Loan Policies and Underwriting Standards shall be submitted to the Regional Director as set forth in Paragraph 17 of the Agreement. In order to be found unobjectionable by the Regional Director, the Loan Policies and Underwriting Standards shall include, at a minimum, the following:

(a) Identification of geographic areas in which the Bank will consider lending,

(b) The types of loans that are permitted,

(c) The extent and nature of lending authority delegated to: (i) any committee of the Board, (ii) any committee of officers and (iii) individual loan officers,

(d) The responsibility of the Board (or any committee thereof) in reviewing, ratifying and approving loans,

(e) The responsibilities of the Board (or any committee thereof) with respect to all extensions, modifications, or restructuring of outstanding loans (including the release of collateral). All such extensions, modifications or restructuring of Investor Loans shall: (i) require approval by the appropriate loan committee, consistent with the loan committee's lending authority and (ii) be reported to Board at its next regularly scheduled meeting,

(g) The maximum amount in relation to collateral value that the Bank will advance on a given type of collateral (i.e. loan-to-value limitations),

(h) A requirement that the Bank obtain and maintain complete and accurate supporting loan file documentation on every relevant detail of a borrower's financial condition and ability to repay the loan according to its terms, including:

- (1) a clearly defined description of the loan purpose and terms of repayment,
- (2) a description of loan collateral, collateral values, lien searches and documents necessary to perfect liens on collateral,
- (3) an evaluation of the primary and secondary sources of repayment and support for the adequacy of the stated sources of repayment,
- (4) a detailed financial analysis of the borrower, co-signors and guarantors, if any, and documentation to support the analysis, such as current and three-year historical financial statements and/or tax return information,
- (5) a statement of the current and proposed aggregate credit exposure of the borrower,
- (6) written evidence of approvals by the approving loan officer or committee, and
- (7) a certification that the proposed loan conforms to the Bank's loan policies and underwriting standards.

(i) Limits on concentrations of credit, expressed either as a percentage of assets and/or Core Capital,

(j) Limits on extensions of credit to one borrower that correspond to the regulatory requirements at 12 C.F.R. § 560.93,

(k) Limitations on extensions of credit through overdrafts,

(l) Guidelines for extending credit to Bank directors, officers, employees (and their related interests) that are in compliance with applicable statutes and regulations (such as 12 C.F.R. § 563.43 and Part 215) governing such extensions of credit,

(m) A requirement that deviations from the loan policies and underwriting procedures require prior approval of the Bank's board of directors,

(n) A requirement that all loans originated, extended, modified or restructured shall comply with all applicable statutes, regulations and the Bank's formal internal policies, and

(o) A requirement that, with respect to all (i) newly originated business purpose loans (including all "Investor Loans" as defined in Paragraph 2(a) above) and (ii) modifications of existing business purpose loans, the Bank's loan documents shall:

(1) contain covenants obligating the borrower to supply updated financial information in a form acceptable to the Bank (i) on an annual basis and (ii) at such other times that the Bank may request it and

(2) contain terms that will facilitate the Bank's review of any collateral securing such loan throughout the loan term.

The requirements set forth Paragraph 3(o) above, relating to business purpose loans and modifications, shall take effect immediately and shall apply to all business purpose loans originated or modified after the Effective Date, but shall not be construed to permit the origination of Investor Loans prior to such time as the requirements set forth in Paragraph 2(b) have been satisfied.

4. Appraisal Practices.

(a) Within 60 days of the Effective Date, the Board shall adopt and implement a written appraisal policy and procedures that conform to the requirements of 12 C.F.R. Part 564 and the Interagency Appraisal and Evaluation Guidelines set forth in OTS Thrift Bulletin #55a ("Appraisal Policy").

(b) The Bank shall obtain an appraisal performed by a State certified or licensed appraiser in connection with: (i) all "Real estate-related financial transactions"<sup>2</sup> exceeding \$100,000 and (ii) Investor Loans of any size. This shall not be interpreted to affect the requirement to obtain the services of a state certified appraiser in those instances set forth in 12 CFR § 564.3(d).

(c) The Appraisal Policy must provide standards governing the acceptance of evaluations of real estate ("Evaluations") that are required by 12 CFR § 564.3(b). Such Evaluations shall, at a minimum, contain all of the information set forth in TB 55a in the section entitled "Evaluation content". To the extent that the Bank relies upon broker price opinions ("BPOs") as an Evaluation, the Appraisal Policy must take into account the criticisms and prescribed corrective actions set forth in the Report of Examination, and require:

- (1) a complete description of all recent property improvements, and
- (2) consideration of title search information, and a reconciliation of value when title search information reports a recent purchase of property that is less than 90% of the value assigned by the BPO.

(d) When conducting periodic reviews of the quality of work performed by approved appraisers pursuant to 12 CFR § 564.8(c)(3), the Bank shall check on the status of the appraiser's: (i) professional licensing and (ii) insurance coverage.

5. Lending Function to be Supervised by a Chief Lending Officer. All of the Bank's lending activities shall be subject to the oversight and supervision of a Bank officer designated as the Bank's Chief Lending Officer ("CLO"). Within thirty (30) days of the Effective Date hereof, the Bank's board of directors, by action duly taken and noted in its minutes, shall designate and appoint either the Bank's Chief Executive Officer or another qualified individual to serve as the Bank's CLO, who shall be authorized and directed to oversee the Bank's lending activities and to ensure that such activities are conducted in a safe and sound manner and in accordance with duly adopted written policies and procedures and applicable laws and regulations.

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<sup>2</sup> As defined in 12 CFR § 564.2(i)

6. Written Credit Administration Policies and Procedures Required.

(a) Within 60 days of the Effective Date hereof, the Bank's board of directors shall adopt, and the Bank shall implement, prudent and detailed written policies and procedures governing credit administration (the "Credit Administration Policy"). The Credit Administration Policy shall conform to the requirements of: 12 C.F.R. §§ 560.170 and 560.101 (including the Interagency Guidelines for Real Estate Lending Policies at Appendix A thereof); and section II.C. of the Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570. Among other things, the Credit Administration Policy must establish a loan file and record retention and administration system that is designed to provide for all required records, filings and documents to be retained, reviewed, renewed and updated as appropriate.

(b) In furtherance of the above-stated policy objectives, the Credit Administrative Policy shall require that:

(1) The Bank's loan officers shall have primary responsibility for account management relative to each of the Bank's Major Borrowers. For purposes of this Agreement, "Major Borrowers" are defined as those borrowers whose outstanding aggregate indebtedness to the Bank exceeds \$200,000, after excluding any indebtedness that is secured by a purchase money first mortgage loan on the borrower's primary residence;

(2) The Bank's loan officers shall be required to use diligent and documented efforts to obtain updated and current financial information with respect to each Major Borrower and information on the condition of property securing any such loan. In evaluating compliance with this subparagraph 6(b)(2) and subparagraph 6(b)(3), OTS shall consider the extent to which the Bank has access to such information, through the loan documents or otherwise.

(3) No less than annually, each of the Bank's loan officers must use diligent and documented efforts, with respect to their assigned Major Borrowers, to (i) conduct annual credit reviews based on current/updated borrower financial information and updated written analyses about loan collateral (inclusive of property cash flow analysis) and (ii) submit to the Chief Lending Officer written reports that concern such analyses and assign a credit grade relative to each of the outstanding credit relationships such Major Borrowers maintain with the Bank; and

(4) An appropriate Bank officer or employee is assigned responsibility for ensuring that all appropriate lending-related documents are obtained and placed in the Bank's loan files in accordance with a tickler file system for monitoring missing and/or required documents.

7. Policies on Asset Quality and Classification. Within 60 days of the Effective Date hereof, the Board shall adopt, and the Bank shall implement, a formal written program to identify and classify problem assets that satisfies the requirements of: (i) 12 C.F.R. § 560.160; (ii) section II.G. of the Part 570 Safety and Soundness Standards; and the (iii) Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL), dated December 21, 1993 (OTS Thrift Activities Handbook § 261A). Among other things, the program must have the following characteristics:

(a) it must be supervised by the Bank's Chief Financial Officer or another designated management official who: (i) has no independent loan origination or approval authority, (ii) is independent of the appraisal preparation process and (iii) reports directly to the Board or the Audit Committee concerning the program;

(b) it must ensure the proper identification of assets as "loss", "doubtful", "substandard" or "special mention" (collectively referred to as "Criticized Assets") and the reporting of each such asset to the Board at least quarterly, to coincide with the preparation of the Thrift Financial Report (TFR). Loans classifications shall be based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms, and will not rely excessively on loan performance to date;

(c) it must provide for the maintenance of an adequate allowance for loan and lease losses (ALLL) to reflect credit risk in the Bank's loan and lease portfolio;

(d) it must ensure the prompt charge-off of loans, or portions of loans, that available information confirms to be uncollectible;

(e) it must require the timely and accurate reporting of the Criticized Assets, ALLL and charge-offs on the TFR.

8. Audit Committee. The Bank's board of directors shall at all times maintain a functioning audit committee of the board ("Audit Committee") that must meet on no less than a quarterly basis, and such meetings shall be documented with duly maintained minutes of such meetings. The composition of the board's Audit Committee shall satisfy each of the following requirements: (i) only members of the board of directors may serve on the Audit Committee; (ii) the committee shall have no fewer than three members; and (iii) at least a majority of the Audit Committee members must be directors who are neither (A) employed by the Bank (as officers, employees or otherwise) nor (B) service providers for the Bank.

9. Review of Annual Meetings/Correction of Identified Defects. Within 30 days of the Effective Date, the Bank shall: (i) engage counsel to review the conduct of the 1999 and 2000 annual meetings of members, taking into account the deficiencies cited in the Report of Examination, (ii) formulate a plan to address defects arising from the conduct of the meetings and (iii) submit such plan to the Regional Director as set forth in Paragraph 17.

10. Corrective Actions Concerning Subsidiary.

(a) Unless the SE Investment Services Corp. (Service Corporation) has been dissolved, it shall hold a duly called board of directors meeting within 60 days of the Effective Date hereof (Service Corporation Board Meeting). At such meeting the board of directors, at a minimum, shall appoint qualified officers who shall be directed and authorized to manage the affairs of the Service Corporation in compliance with applicable federal laws, regulations and policies, including 12 CFR § 559.10.

(b) Unless the Service Corporation has previously terminated all relationships and activities relating to the sale of nondeposit insurance products:

(1) the Service Corporation Board Meeting described above shall: (i) include a review of the comments about the Service Corporation in the Report of Examination and (ii) direct management to formulate and require implementation of a written action plan for correction of the deficiencies cited therein within 30 days from the date of the meeting.

(2) the Bank shall prepare a detailed written cost-benefit analysis and evaluation of the Service Corporation (the "CBA Report") within 120 days of the Effective Date. The CBA Report shall compare the reasonably anticipated future annual benefits of the Service Corporation to the costs and risks associated with proper and prudent operation of the Service Corporation. The Board shall consider the CBA Report and determine whether or not it is in the best interests of the Bank for the Service Corporation to discontinue its operations.

(c) The Service Corporation shall not engage in retail sales of nondeposit investment products except in full compliance with: (i) 12 C.F.R. § 545.74 and (ii) a prudently managed program subject to detailed written policies and procedures that (A) satisfy all of the requirements of the Interagency Statement on Retail Sales of Nondeposit Investment Products and the Joint Interpretations thereof (set out OTS Thrift Bulletins 23-2 and 23-3) and (B) have been duly adopted by the board of directors of the Service Corporation.

11. Information Technology. Within 60 days of the Effective Date hereof, the Bank shall retain a consultant to prepare a disaster recovery plan and shall correct the two other information technology weaknesses specified in the Report of Examination. The Bank shall adopt a written disaster recovery plan that is appropriate for the Bank's information technology systems within 120 days of the Effective Date.

12. Bank Code of Ethics. Within 90 days of the Effective Date hereof, the Bank's board of directors shall adopt a written code of ethics ("Code") that – (i) shall govern the conduct of the Bank's directors, officers and employees (collectively "Bank Insiders") and (ii) complies with the recommendations about ethics policies set forth in the OTS's Directors' Guide to Management Reports. At a minimum the Code must address the following elements:

(a) Corporate Creed. The Code shall set forth a broad statement of corporate policy on ethics.

(b) Conflicts of Interest. The Code shall:

(1) define what is meant by a conflict of interest, an apparent conflict of interest, and a potential conflict of interest (collectively referred to as "Conflicts");

(2) mandate timely, comprehensive, and accurate disclosure of Conflicts to the Bank's board of directors or Audit Committee thereof;

- (3) prescribe a formal system for the identification, disclosure and resolution of Conflicts and the written documentation thereof; and
- (4) address (i) the acceptance of gifts, entertainment, favors and loans, (ii) employment of relatives, (iii) participation by a Bank Insider in any manner in any transaction or loan in which the individual, his/her spouse, child or any related interest has a financial or other interest, and (iv) providing goods or services to the Bank.
- (c) **Finances.** The Code shall:
- (1) state that improper handling of personal finances could undermine the credibility of the Bank Insider or the Bank and that a precarious financial position could be thought to influence actions or judgments made for the Bank;
- (2) set forth specific policies and procedures for reporting loans and other financial transactions of Bank Insiders; and
- (3) mandate the identification of material outside economic interests of all officers and directors at least annually.
- (d) **Confidentiality.** The Code shall provide for the protection of confidential customer and bank information by, inter alia,
- (1) defining what is meant by confidential customer and bank information; and
- (2) providing guidance on how such information must be guarded, and why abuses in this area can be harmful to the Bank, the employees, and the customers.
- (e) **Outside Employment Activities.** The Code shall:
- (1) state that each Bank Insider must manage his/her outside activities without compromising the individual or the Bank; and
- (2) set out explicit restrictions and guidelines.
- (f) **Protection of Bank Property.** The Code shall include guidelines for the protection of the Bank's property, including information, products and services.
- (g) **Laws and Regulations.** The Code shall address applicable criminal statutes and financial institution regulations relating to conflicts of interest, including but not limited to 12 C.F.R. §§ 563.43 (incorporating provisions of 12 C.F.R. Part 215) and 563.200 (conflicts of interest).
- (h) **Code Administration.** The Code shall provide methods for ensuring compliance, and policies and procedures for enforcing the Code, and such methods should be clearly described. The Code shall require an annual statement from all officers and directors of the Bank certifying their respective compliance with the Code and containing the disclosures required by the Code. A non-management member of the Bank's board of directors shall be responsible for maintaining all records, including the annual statements, regarding the matters governed by the policy.

13. Asset Growth Restriction. Unless otherwise previously permitted in writing by the OTS's Regional Director, the Bank shall limit its asset growth in any quarter to an amount not to exceed net interest credited on deposit liabilities during the quarter.

14. Review of Board and Management Changes. The Bank shall be and is subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 - .590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. § 563.590, no person shall be appointed to the position of or be hired as a member of the Board or as a senior executive officer of the Bank unless -- (1) the Bank (or the individual, if appropriate) previously has filed with the OTS an appropriate and complete notice pursuant to 12 C.F.R. Part 563, Subpart H; and (2) the person's commencement of service on behalf of the Bank is permissible under 12 C.F.R. § 563.585 and 12 U.S.C. § 1831i.

15. Compensation and Benefit Arrangements. The Bank shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Bank or unless the Bank first -- (1) provides a minimum of 30 days advance notice of the proposed transaction and (2) receives a written notice of non-objection from the Regional Director. For purposes of this paragraph the term "Bank" refers to the Bank and any subsidiary of the Bank.

16. Golden Parachute Restrictions. The restrictions at 12 C.F.R. Part 359 (concerning "golden parachute payments" and "prohibited indemnification payments") are applicable to the Bank. Without limitation on the generality of the foregoing, this means, inter alia, that the Bank shall not make any "golden parachute payment", as that term is defined 12 U.S.C. § 1828(k) and in 12 C.F.R. Part 359, except as may be permitted by the aforesaid statutory provision and regulations. See, e.g., 12 C.F.R. §§ 359.4 and 359.6.

17. Adoption and Compliance with Required Plans and Procedures.

(a) The plans, policies, and procedures required by this Agreement shall be submitted to the OTS's Regional Office for review and approval/non-objection by the Regional Director (or his designee). The Bank shall submit acceptable plans, policies and procedures to the Regional Office by the required due dates or within the required time periods. The plans, policies and procedures shall be sent to:

Mr. Robert C. Albanese  
Regional Director  
Office of Thrift Supervision  
10 Exchange Place, 18th Floor  
Jersey City, New Jersey 07302

with a copy sent to Mr. Martin J. Lavelle, Assistant Director, at the above-identified address. With respect to any plan, policy or procedure that is timely filed and prepared with reasonable diligence by the Bank, but nevertheless requires modification to accommodate input by OTS

occurring after the due date, no violation of this Paragraph 17(a) will be found to exist for so long as the Bank: (i) makes diligent and good faith efforts to incorporate such modifications and (ii) complies with subsequent OTS direction concerning the due dates for implementing such modifications.

(b) The Bank, pursuant to resolutions duly adopted by its board of directors, shall adopt the approved plans, policies, and procedures within twenty-one (21) days of written approval or non-objection by the Regional Director (or his designee) and then shall fully implement and comply with them.

(c) During the term of this Agreement, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written approval of the Regional Director (or his designee).

18. Compliance With Agreement.

(a) The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

(b) Within 15 days of the Effective Date, the Board shall appoint a committee (the "Compliance Committee") comprised of 3 or more directors, the majority of whom shall be outside directors, to monitor and coordinate the Bank's compliance with the provisions of this Agreement.

(c) Within 30 days after the end of each calendar quarter following the date of this Agreement (December 31, March 31, June 30, and September 30), the Compliance Committee shall submit a written progress report to the board of directors detailing the actions taken to comply with each provision of this Agreement and the results of those actions.

(d) Within 15 days after its receipt from the Compliance Committee, the board of directors shall forward a copy of the quarterly progress report described in this paragraph, with any additional comments made by the board of directors, to the Regional Director and shall certify in writing that each director has reviewed the report.

19. Integration Clause: Relationship to Other Regulatory Actions.

(a) This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date.

(b) The terms of this Supervisory Agreement supersede the requirements and restrictions set out in (i) the OTS's letter, dated November 16, 1999, to the Bank's board of directors; and (ii) the OTS's Supervisory Directive set out at page 3 of the OTS's letter, dated

March 10, 2000, to the Bank's board of directors. The OTS's acceptance of this Supervisory Agreement does not in any way relieve the Bank of its obligation to comply fully with the Bank's March 31, 2001 safety and soundness compliance plan adopted in response to the OTS's March 10, 2000 notice pursuant to 12 C.F.R. Part 570.

20. Definitions. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act ("HOLA"), Federal Deposit Insurance Act ("FDI Act"), or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDI Act, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

21. Successor Statutes, Regulations, Guidance, Amendments. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

22. Time Limits. Time limitations for compliance with the terms of this Agreement run from the Effective Date unless otherwise noted.

23. Rules of Interpretation.

(a) Nothing in this Agreement shall be construed as allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject.

(b) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

24. Successors In Interest/Benefit. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

25. Enforceability of Agreement; Director Attestation. The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of each of the Bank. Each director signing Addendum A attached to this Agreement attests, by such act, that she or he, as the case may be, voted in favor of the board of director resolutions (copies submitted to the OTS herewith) authorizing the execution of this Agreement by the Bank.

26. Effective Date; Duration; Termination or Suspension of Agreement. This Agreement shall be effective and enforceable as of the date the OTS's Regional Director executes this Agreement, which date is the Effective Date hereof, as indicated on the first page hereof. This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof). The Regional Director, in his sole discretion and by written notice, may suspend any or all provisions of this Agreement.

27. No Bar or Estoppel. The provisions of this Agreement shall not bar, estop or otherwise prevent the OTS from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the Bank or any of their current or former institution-affiliated parties.

28. Section 8 Agreement. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

ST. EDMOND'S FEDERAL SAVINGS BANK      OFFICE OF THRIFT SUPERVISION

By: Frank DePaolo  
Frank DePaolo  
President & Chief Executive Officer  
Date: February 8, 2002

By: Robert C. Albanese  
Robert C. Albanese  
Regional Director  
Date: February 11, 2002